

**BILL #** SB 1047

**SPONSOR:** Gray, L.

**TITLE:** schools; open enrollment; transportation  
(NOW: transportation; open enrollment schools)

**STATUS:** Senate Engrossed

**PREPARED BY:** Steve Schimpp

## FISCAL ANALYSIS

### Description

The bill would make the following changes to the K-12 transportation funding formula in statute: 1) allow school districts to contract with parents to provide “to and from school transportation” in private vehicles; 2) require districts to reimburse parents for contracted private vehicle miles at a rate not to exceed the corresponding rate established by the Department of Administration (ADOA) (currently \$0.44 per mile); 3) allow districts to add to their Transportation Support Level (TSL) the cost of reimbursing parents for private route miles, but prohibit districts from claiming “bus” route miles for that mileage (which currently generates \$1.85 or \$2.25 per private vehicle mile); 4) limit reimbursable private vehicle miles to ones where a student is in the transporting vehicle (disallows mileage for return trips where only the parent is in the vehicle); 5) limit “open enrollment” transportation funding to pupils who are disabled or who qualify for free or reduced price lunches (currently all students are funded); and 6) modify the formula for computing a district’s “Transportation Revenue Control Limit” (TRCL) in order to reflect both increases and decreases in route mile funding (currently only *increases* are reflected).

### Estimated Impact

The bill’s provisions would reduce current expenditures, but also could generate new costs.

The bill would reduce current expenditures by at least \$6,932,500 in FY 2009. This includes an estimated \$5,575,700 savings from funding the current level of private vehicle miles at \$0.44 rather than \$1.85 or \$2.25, and \$1,356,800 from eliminating the “hold harmless” provision from TRCL. The bill also would reduce costs for “return trip” private vehicle miles and for open enrollment transportation. A state savings for the latter 2 issues, however, cannot be determined because school districts do not report private vehicle “return trip” mileage or separate costs for open enrollment transportation.

The bill also could result in new state costs by increasing the number of parents seeking to be reimbursed for driving their children to and from school. This potentially could occur, as the bill would specify in statute for the first time that a school district may enter into transportation contracts with parents, which might increase both district and parent interest in such arrangements. The bill is permissive with regard to private vehicle contracting, however, so would not require districts to enter into private vehicle contracts with any newly-interested parent.

### Analysis

The bill would affect private vehicle, open enrollment, and TRCL funding as described below.

#### Private Vehicle Transportation

The bill would explicitly permit school districts to contract with parents for “to and from school” transportation using private vehicles. Current law is silent regarding that practice, although school districts already contract with parents for private vehicle miles on a limited basis, particularly in situations where bus transportation is not available to students. (ADE data indicate that school districts currently contract with approximately 1,400 parents statewide for private vehicle mileage.) The bill would require school districts to reimburse parents for private vehicle miles at the ADOA private vehicle mileage reimbursement rate (currently \$0.44 per mile), whereas districts currently receive \$1.85 or \$2.25 for each private vehicle route mile (FY 2009 rates) and establish their own policies regarding how much parents are reimbursed per mile. (Current

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law does not distinguish between “bus” and “private vehicle” miles, so funds all miles at the same \$1.85 or \$2.25 rate.) The bill would allow districts to add to their TSL the actual cost of reimbursing private vehicle mileage at the ADOA-specified rate, but would prohibit them from claiming “route miles” for that mileage. As a result, a state savings would occur under the bill from funding private vehicle miles at \$0.44 per mile in FY 2009 versus \$1.85 or \$2.25 per mile under current law.

ADE data indicate that currently about 17,600 private vehicle miles are funded per day for “to and from school” transportation and that the average statewide reimbursement rate for route miles in general is \$2.20. This implies that the state cost for private vehicle miles under current law is approximately \$7.0 million (17,600 private vehicle miles per day X 180 days per school year X \$2.20 = \$6,969,600). The estimate for currently contracted private vehicle miles instead would be \$1.4 million under SB 1047 (17,600 average miles per day X 180 days X \$0.44 = \$1,393,900) for a net state savings of approximately \$5.6 million (\$6,969,600 current cost - \$1,393,900 cost under SB 1047 = \$5,575,700).

It is possible, however, that additional parents and school districts would become interested in contracting for private vehicle miles once statute was modified to explicitly permit the practice, as would occur under the bill. If so, the bill could generate new state costs relative to private vehicle miles. The extent to which additional private vehicle route miles would be generated under the bill, if at all, is unknown.

The bill also would reduce state K-12 transportation costs by disallowing reimbursement for private vehicle miles that occur when a parent returns home after dropping off a student at school. A recent Auditor General audit of an individual school district reported that the district was incorrectly paying parents for such mileage. The extent to which this practice is occurring statewide, however, is unknown, as school districts do not report separate “with student” and “without student” miles for private vehicles. A state savings for this aspect of the bill, therefore, cannot be determined.

#### TRCL Changes

The Basic State Aid formula includes funding for a school district’s “Transportation Support Level” (TSL), which is computed primarily based on the number of route miles that a school district generates in transporting students to and from school pursuant to A.R.S. § 15-945. Districts also compute a TRCL pursuant to A.R.S. § 15-946, which currently equals their prior year TRCL plus any *increase only* in their TSL funding. If a district’s TRCL exceeds its TSL, it may increase its local primary property taxes without voter approval to make up the difference. As a result, the portion of SB 1047 that would modify the TRCL formula to also reflect TSL *decreases* would reduce TRCL growth statewide, which subsequently would reduce growth in TRCL-related property taxes starting in FY 2009. This likewise would result in a state savings by reducing growth in state costs for the Homeowner’s Rebate program (A.R.S. § 15-972), since that program pays a portion of each homeowner’s school-related primary property taxes, including TRCL-related taxes.

For FY 2008, the statewide TRCL for all school districts collectively is \$274 million and the statewide TSL is \$216 million, for a difference of \$58 million. Under the bill, however, statewide TRCL growth would have been approximately \$7 million less, reducing TRCL related property taxes in FY 2008 by approximately \$7 million. This would have reduced state Homeowner’s Rebate savings by an estimated \$1,356,800 under current law (\$7,141,000 less in TRCL-related property taxes X 50% paid by homeowners X 38% Homeowner’s Rebate subsidy = \$1,356,800). That \$1,356,800 amount is the estimated FY 2009 savings for the TRCL-related portion of the bill under this analysis.

#### Open Enrollment Funding

A.R.S. § 15-816.01 requires school district to implement an “open enrollment” policy that allows non-resident students to attend school in the district without tuition being charged if the district has space for them. It also establishes parameters for providing transportation for open enrollment students. Regarding the latter issue, ADE currently interprets A.R.S. § 15-816.01 as 1) allowing a district to transport any open enrollment pupil up to 20 miles each way to and from school, 2) allowing unlimited mileage to and from school for pupils who qualify for free or reduced price lunches under the National School Lunch Program, and 3) requiring (not allowing) unlimited mileage to and from school for students with disabilities whose Individual Education Plans (IEPs) require open enrollment transportation.

The bill would permit open enrollment transportation funding only for students eligible for free or reduced priced lunches and disabled students, which would eliminate open enrollment transportation funding for non-disabled, non-free or reduced lunch

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eligible students. A state savings cannot be determined for this portion of the bill, however, because schools do not report separate transportation costs for open enrollment students. As a result, data do not exist for either open enrollment transportation costs in general or for the portion of those costs attributable to non-disabled, non-free or reduced lunch eligible pupils, which would be needed in order to estimate a state savings for this portion of the bill.

### **Local Government Impact**

The bill would reduce funding to local school districts for currently-contracted parent route miles by at least \$6,932,500 in FY 2009 under this analysis, as described above. It also potentially could increase the number of state-funded private vehicle miles, however, if more parents entered into contracts with school districts for private vehicle mileage under the bill. If this occurred, school districts would not profit from the additional contracts, as the bill would allow school districts to be reimbursed only for the actual cost of the new contracts.

4/4/08